

CITY OF CLEARWATER, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2014

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
Clearwater, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clearwater, Kansas (City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clearwater, Kansas, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and

schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

George, Bowerman & Noel, P.A.

Wichita, Kansas
May 27, 2015

CITY OF CLEARWATER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2014

As management of the City of Clearwater, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,779,680 (net position). Of this amount, \$895,715 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net position increased by \$1,014,682 of which the governmental activities increased net position by \$707,030 and business-type activities increased net position by \$307,652.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$912,690 compared to a combined ending fund balance of \$34,527 at December 31, 2013. Of the current year fund balance, \$258,558 is restricted, \$135,624 is committed, and \$451,638 is unassigned.
- At year-end, the business-type activities of the City reported net position of \$2,268,167.
- At the end of the current fiscal year, total fund balance for the General Fund was \$451,638, or approximately 35%, of the total General Fund expenditures for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public improvements, street improvement and maintenance, planning and zoning, recreation, sanitation services and other activities. The business-type activities include water and sewer utility services.

The government-wide financial statements include not only the City itself, but also the Clearwater Public Building Commission and Clearwater Public Library, legally separate entities for which the City is financially accountable. The Clearwater Public Building Commission is considered a blended component unit and the financial information for that entity is included within the City's financial statements. Financial information for the Clearwater Public Library is reported separately from the financial information presented for the primary government itself since it is considered a discretely presented component unit.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 21 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service and Capital Project Funds, all of which are considered major funds. Data from the remaining 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these

nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The basic governmental fund financial statements can be found on pages 14 to 19 of this report.

Proprietary Funds – The City maintains only one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for both enterprise funds, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 20 to 24 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by \$6,779,680 as of December 31, 2014.

The significant portion of the City's net position (50%) reflects net position restricted for debt service and other functional activity purposes (\$3,357,321). Of this amount, \$3,098,763 is comprised of special assessment taxes receivable, which are restricted for debt service purposes.

The City's investment in capital assets (e.g., land, buildings and improvements, machinery and equipment), less any debt used to acquire those assets that is still outstanding, represents about 37% of the City's total net position at December 31, 2014. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF CLEARWATER'S NET POSITION

December 31, 2014

(with comparative amounts at December 31, 2013)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 4,859,078	\$ 4,058,151	\$ 476,172	\$ 396,507	\$ 5,335,250	\$ 4,454,658
Capital assets	<u>4,350,394</u>	<u>4,870,948</u>	<u>2,662,300</u>	<u>2,530,782</u>	<u>7,012,694</u>	<u>7,401,730</u>
Total assets	<u>9,209,472</u>	<u>8,929,099</u>	<u>3,138,472</u>	<u>2,927,289</u>	<u>12,347,944</u>	<u>11,856,388</u>
Long-term liabilities	3,774,408	3,337,326	828,114	916,991	4,602,522	4,254,317
Other liabilities	<u>105,027</u>	<u>1,028,294</u>	<u>17,434</u>	<u>19,399</u>	<u>122,461</u>	<u>1,047,693</u>
Total liabilities	<u>3,879,435</u>	<u>4,365,620</u>	<u>845,548</u>	<u>936,390</u>	<u>4,724,983</u>	<u>5,302,010</u>
Deferred inflows of resources	<u>818,524</u>	<u>758,996</u>	<u>24,757</u>	<u>30,384</u>	<u>843,281</u>	<u>789,380</u>
Net position:						
Net investment in capital assets	643,510	852,646	1,883,134	1,668,726	2,526,644	2,521,372
Restricted	3,357,321	2,487,742	—	—	3,357,321	2,487,742
Unrestricted	<u>510,682</u>	<u>464,095</u>	<u>385,033</u>	<u>291,789</u>	<u>895,715</u>	<u>755,884</u>
Total net position	<u>\$ 4,511,513</u>	<u>\$ 3,804,483</u>	<u>\$ 2,268,167</u>	<u>\$ 1,960,515</u>	<u>\$ 6,779,680</u>	<u>\$ 5,764,998</u>

The City's overall financial position improved, with an increase in net position of \$1,014,682 for the current year. Of that increase, an increase of \$707,030 can be attributed to governmental activities and an increase of \$307,652 can be attributed to business-type activities. The balance of net position unrestricted of \$895,715 may be used to meet the City's ongoing obligations to citizens and creditors.

The net position of the business-type activities increased by \$307,652 for 2014 which can be principally attributed to reduced interest costs of \$13,749 and reduced transfers to governmental funds of \$13,951 and contributions of assets from the municipality of water and sewer lines totaling \$274,031.

Analysis of the City's operations – The following table provides a summary of the City's operations for the year ended December 31, 2014 and December 31, 2013.

CITY OF CLEARWATER'S CHANGES IN NET POSITION

Year Ended December 31, 2014

(with comparative amounts for the year ended December 31, 2013)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 406,788	\$ 472,183	\$ 698,355	\$ 692,874	\$ 1,105,143	\$ 1,165,057
Operating grants and contributions	250,444	229,689	—	—	250,444	229,689
Capital grants and contributions	1,050,893	711,100	—	—	1,050,893	711,100

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General revenues:						
Property taxes	\$ 818,622	\$ 804,449	\$ —	\$ —	\$ 818,622	\$ 804,449
Sales taxes	373,537	357,827	—	—	373,537	357,827
Franchise fees	164,260	153,745	—	—	164,260	153,745
Investment earnings	<u>4,673</u>	<u>4,685</u>	<u>6,558</u>	<u>1,012</u>	<u>11,231</u>	<u>5,697</u>
Total revenues	<u>3,069,217</u>	<u>2,733,678</u>	<u>704,913</u>	<u>693,886</u>	<u>3,774,130</u>	<u>3,427,564</u>
Expenses:						
General government	277,885	264,811	—	—	277,885	264,811
Public safety	791,872	736,209	—	—	791,872	736,209
Highways and streets	231,330	348,311	—	—	231,330	348,311
Health and sanitation	138,027	136,253	—	—	138,027	136,253
Culture and recreation	483,787	457,105	—	—	483,787	457,105
Economic development	41,156	—	—	—	41,156	—
Interest on long-term debt	135,328	100,225	—	—	135,328	100,225
Water Utility	—	—	323,835	307,513	323,835	307,513
Sewer Utility	<u>—</u>	<u>—</u>	<u>336,228</u>	<u>322,649</u>	<u>336,228</u>	<u>322,649</u>
Total expenses	<u>2,099,385</u>	<u>2,042,914</u>	<u>660,063</u>	<u>630,162</u>	<u>2,759,448</u>	<u>2,673,076</u>
Increase (decrease) in net position before transfers	969,832	690,764	44,850	63,724	1,014,682	754,488
Transfers in (out)	<u>(262,802)</u>	<u>7,553</u>	<u>262,802</u>	<u>(23,008)</u>	<u>—</u>	<u>—</u>
Increase (decrease) in net position	707,030	698,317	307,652	56,171	1,014,682	754,488
Net position, beginning of year	<u>3,804,483</u>	<u>3,106,166</u>	<u>1,960,515</u>	<u>1,904,344</u>	<u>5,764,998</u>	<u>5,010,510</u>
Net position, end of year	<u>\$ 4,511,513</u>	<u>\$ 3,804,483</u>	<u>\$ 2,268,167</u>	<u>\$ 1,960,515</u>	<u>\$ 6,779,680</u>	<u>\$ 5,764,998</u>

Total revenues for the governmental activities increased by \$335,539 for the current year, or approximately 12%.

The charges for services revenue category decreased by \$65,395, which can be attributed to a reduction for one-time cellular tower lease payments for 2014 of \$37,626 and miscellaneous revenues of \$23,166.

Operating grants and contributions increased by \$20,755 for 2014 with Senior Center operating grants increasing \$11,776, operating donations for police, fire and ambulance operations increasing \$5,567 and state aid allocations for motor fuels taxes increasing by \$2,824.

Capital grants and contribution revenues increased by \$339,793, which is primarily attributed to increased contributions related to special assessments of \$445,603 however, capital contributions from the Recreation Commission reduced by \$105,744 for 2014.

Total general revenue sources increased by \$40,386 for 2014. Indications of an improving economic environment are suggested with sales taxes increasing \$15,710 and franchise fees increasing by \$10,515. Property taxes increased by \$14,173 as anticipated in the annual budgeting process. Stagnant investment rates and available investment balances reflected only a \$12 decrease in interest earnings for 2014.

Total expenses for the governmental activities increased by \$56,471 for 2014. General government expenses increased by \$13,074 with the major change due to increased salaries and wages of \$2,398, software support and updates increasing by \$3,164 and contract building inspection costs of \$4,913. Public safety expenses increased \$55,663 for 2014 due mainly to an increase in police, municipal court, fire and EMS salaries of \$11,695, increased compensated absence costs of \$7,004 and depreciation expense for public safety functional assets increased \$31,192 for 2014. Highways and streets expenditures decreased by \$116,981 for 2014 with reduced street repair and maintenance costs attributing to substantially all of that decrease. Culture and recreation expenses increased by \$26,682 with salaries and wages attributing to \$2,580 of the increase and compensated absence costs increasing by \$1,297. Commodity expenses for the swimming pool and park operations increased \$3,942. General operating costs for parks attributed to the remaining increase of \$18,863 in culture and recreation expenses. Interest expense on long-term indebtedness increased by \$35,103 for 2014.

The business-type activity operating revenues increased \$5,481 for 2014 and water consumption increased about 2% and both the water and sewer operations reflected a 1% rate increase for 2014. Personnel costs decreased by \$3,983 but operating costs increased \$42,969. In addition, depreciation expense also increased by \$4,664 for 2014. The Water Utility net position increased by \$137,501 and the Sewer Utility net position increased by \$170,151 for 2014. Those increases in net position can be attributed to water and sewer line contributions from the municipality during 2014 in the amounts of \$125,335 and \$148,696, respectively.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – The focus of the City's funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$912,690 and represent an increase from 2013 by \$878,163 primarily due to the issuance of general obligation bonds of \$790,000 to fund certain capital project deficits for 2013.

The General Fund is the primary operating fund of the City. At December 31, 2014 the total fund balance of the General Fund was \$451,638. As a measure of the General Fund's liquidity, the total fund balance represents approximately 35% of the total General Fund expenditures for 2014.

The Debt Service Fund reflects an increase of fund balance of \$14,862 for the current year as compared to an increase of \$2,961 for the prior year. Debt Service Fund expenditures decreased \$2,936 for 2014 from the 2013 amount. Debt service expenditure reductions were the result of the general obligation bond refunding transaction during 2013 allowing the City to take advantage of the current low municipal bond interest rates.

The Capital Projects Fund balance at year-end is \$5,938. During 2014, \$790,000 of general obligation bonds was issued to provide permanent financing for certain City improvement projects and alleviated the \$769,243 fund deficit reported at December 31, 2013.

Proprietary funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Water and Sewer Utility operating revenues reflect a slight increase of \$11,409 due to increased water consumption during 2014 coupled with rate increases of 1% for both water and sewer utilities. Total operating expenses increased by \$43,650 for 2014. Unrestricted net position of the Water and Sewer Utility were \$385,033 at year-end compared to \$291,789 for the prior year-end. Net position invested in capital assets at year-end was \$1,883,134, and increase of \$214,408.

General Fund Budgetary Highlights – The General Fund total actual revenues exceeded the total amount anticipated in the 2014 budget by \$102,930, or approximately 9%. Budgetary expenditures totaled \$1,1,289,005, which represented 94% of the budgeted expenditures for 2014. The result was an increase in budgetary basis fund balance for the General Fund in the amount of \$11,880 (compared to an increase in 2013 of \$134,226). The General Fund budgetary fund balance at year-end was \$391,230 with the 2014 budget anticipating a carryover balance of \$250,389.

CAPITAL ASSETS

The City’s investment in capital assets as of December 31, 2014 amounts to \$7,012,694 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and construction work in process. Major capital asset events during the current fiscal year included the following:

- During 2014, governmental activities invested \$593,180 in capital assets.
- Sports Complex ball field renovations and improvements totaling \$53,075.
- Indian Lakes paving improvements totaling \$333,240.
- Indian Lakes storm water drainage improvements totaling \$198,110.
- Indian Lakes water system improvements of \$125,335.
- Indian Lakes sewer system improvements of \$148,696.

Capital Assets at Year-End Net of Accumulated Depreciation

December 31, 2014

(with comparative amounts at December 31, 2013)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 580,732	\$ 539,575	\$ 64,369	\$ 64,369	\$ 645,101	\$ 603,944
Buildings	713,382	741,700	50,102	53,779	763,484	795,479
Improvements other than buildings	578,359	607,302	2,487,533	2,339,273	3,065,892	2,946,575
Machinery and equipment	505,811	644,954	60,296	73,361	566,107	718,315
Infrastructure	1,972,110	1,568,840	–	–	1,972,110	1,568,840
Construction work in progress	–	768,577	–	–	–	768,577
Total	<u>\$ 4,350,394</u>	<u>\$ 4,870,948</u>	<u>\$ 2,662,300</u>	<u>\$ 2,530,782</u>	<u>\$ 7,012,694</u>	<u>\$ 7,401,730</u>

Additional information on the City's capital assets can be found in Note 3 on pages 37 to 39 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total general obligation bonded debt obligations outstanding of \$4,040,000 and outstanding commitments under capital lease arrangements of \$446,050. The Sewer Fund has outstanding commitments for \$779,166 of the outstanding general obligation bonds. During 2014 the City issued \$790,000 and retired \$350,000 of general obligation bonds. In addition, temporary notes in the amount of \$950,000 were retired during 2014. The City retired \$81,111 of outstanding capitalized lease obligations during 2014.

Additional information on the City's long-term debt can be found in Note 4 on pages 40 to 44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2015 budget, General Fund revenues are budgeted to increase \$129,586, or approximately 11%, from the 2014 budgeted revenues. Expenditures are budgeted for 2014 at an increase of \$185,475, or 14%, from the 2014 budget. Ad valorem property taxes account for approximately 22% of the total revenue sources for the General Fund's 2015 budget. The total City tax levy for the 2015 budget is 53.993 mills compared to the 2014 budget of 49.873 mills. The General Fund increased by 6.449 mills, the Debt Service Fund decreased by .557 mills, and the Employee Benefits Fund decreased by 1.888 mills and all other City tax levy funds increased a combined .116 mills. Certified assessed valuations, on which ad valorem property taxes are levied, increased \$199,633, or approximately 1.4% from the 2014 budget to the 2015 budget with the total assessed valuation for the City being \$14,373,701.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Clerk, at 129 E. Ross, P.O. Box 453, Clearwater, Kansas 67026, or call (620) 584-2311.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CLEARWATER, KANSAS

STATEMENT OF NET POSITION

December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Cash and investments	\$ 880,694	\$ 416,393	\$ 1,297,087	\$ 63,050
Receivables:				
Property taxes	776,078	—	776,078	—
Special assessment taxes	3,098,763	—	3,098,763	—
Sales taxes	31,419	—	31,419	—
Franchise fees	28,989	—	28,989	—
Trade accounts, net	20,436	59,779	80,215	—
Restricted cash held by fiscal agent	11,526	—	11,526	—
Prepaid items	11,173	—	11,173	—
Capital assets:				
Land	580,732	64,369	645,101	—
Buildings	1,055,551	98,021	1,153,572	128,979
Improvements other than buildings	1,833,596	4,807,967	6,641,563	4,885
Infrastructure	2,843,411	—	2,843,411	—
Machinery and equipment	1,872,326	326,810	2,199,136	29,328
Less accumulated depreciation	(3,835,222)	(2,634,867)	(6,470,089)	(87,646)
 Total assets	 9,209,472	 3,138,472	 12,347,944	 138,596
<u>LIABILITIES</u>				
Accounts payable	48,848	11,987	60,835	611
Accrued interest payable	44,653	5,447	50,100	—
Matured bonds and coupons payable	11,526	—	11,526	—
Noncurrent liabilities:				
Due within one year	413,139	111,465	524,604	—
Due in more than one year	3,361,269	716,649	4,077,918	—
 Total liabilities	 3,879,435	 845,548	 4,724,983	 611
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources:				
Deferred property taxes receivable	776,078	—	776,078	—
Premium on general obligation bonds	42,446	24,757	67,203	—
 Total deferred inflows of resources	 818,524	 24,757	 843,281	 —
<u>NET POSITION</u>				
Net investment in capital assets	643,510	1,883,134	2,526,644	75,546
Restricted for:				
Debt service	3,138,811	—	3,138,811	—
General government	73,451	—	73,451	—
Public safety	67,207	—	67,207	—
Street maintenance	19,086	—	19,086	—
Culture and recreation	58,766	—	58,766	—
Unrestricted	510,682	385,033	895,715	62,439
 Total net position	 4,511,513	 2,268,167	 6,779,680	 137,985

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

STATEMENT OF ACTIVITIES

Year ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for	Operating	Capital	Governmental	Business-Type	Total	Component
		Services	Grants and	Grants and	Activities	Activities		Unit
			Contributions	Contributions				
Governmental Activities:								
General government	\$ 277,885	\$ 91,098	\$ -	\$ -	\$ (186,787)	\$ -	\$ (186,787)	\$ -
Public safety	791,872	71,267	95,605	-	(625,000)	-	(625,000)	-
Highways and streets	231,330	327	93,224	-	(137,779)	-	(137,779)	-
Health and sanitation	138,027	174,942	-	-	36,915	-	36,915	-
Culture and recreation	483,787	69,154	60,002	25,323	(329,308)	-	(329,308)	-
Economic development	41,156	-	-	-	(41,156)	-	(41,156)	-
Interest on long-term debt	135,328	-	1,613	1,025,570	891,855	-	891,855	-
Total Governmental Activities	\$ 2,099,385	\$ 406,788	\$ 250,444	\$ 1,050,893	(391,260)	-	(391,260)	-
Business-Type Activities:								
Water Utility	\$ 323,835	\$ 346,786	\$ -	\$ -	-	22,951	22,951	-
Sewer Utility	336,228	351,569	-	-	-	15,341	15,341	-
Total Business-Type Activities	\$ 660,063	\$ 698,355	\$ -	\$ -	-	38,292	38,292	-
Component Unit:								
Clearwater Public Library	\$ 97,907	\$ 3,468	\$ 21,606	\$ 1,603	-	-	-	(71,230)
General Revenues and Transfers:								
General Revenues:								
Property taxes levied for:								
General purposes					617,898	-	617,898	-
Debt service					136,839	-	136,839	-
Capital improvements					63,885	-	63,885	-
Sales taxes					373,537	-	373,537	-
Franchise taxes					164,260	-	164,260	-
Payments from City of Clearwater					-	-	-	74,537
Investment earnings					4,673	6,558	11,231	174
Transfers in (out)					(262,802)	262,802	-	-
Total general revenues and transfers					1,098,290	269,360	1,367,650	74,711
Change in net position					707,030	307,652	1,014,682	3,481
Net position at beginning of year					3,804,483	1,960,515	5,764,998	134,504
Net position at end of year					\$ 4,511,513	\$ 2,268,167	\$ 6,779,680	\$ 137,985

The accompanying notes are an integral
part of the financial statements.

FUND FINANCIAL STATEMENTS

CITY OF CLEARWATER, KANSAS
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and short-term investments	\$ 411,385	\$ 40,048	\$ 5,938	\$ 423,323	\$ 880,694
Cash held by fiscal agent	–	11,526	–	–	11,526
Property taxes receivable	355,318	113,650	–	307,110	776,078
Special assessment taxes receivable	–	3,098,763	–	–	3,098,763
Accounts receivable, net	17,678	–	–	2,758	20,436
Sales tax receivable	31,419	–	–	–	31,419
Franchise fees receivable	28,989	–	–	–	28,989
Total assets	<u>\$ 844,789</u>	<u>\$ 3,263,987</u>	<u>\$ 5,938</u>	<u>\$ 733,191</u>	<u>\$ 4,847,905</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 37,833	\$ –	\$ –	\$ 11,015	\$ 48,848
Matured bonds and coupons payable	–	11,526	–	–	11,526
Total liabilities	<u>37,833</u>	<u>11,526</u>	<u>–</u>	<u>11,015</u>	<u>60,374</u>
Deferred inflows of resources:					
Deferred property taxes receivable	355,318	113,650	–	307,110	776,078
Deferred special assessment taxes receivable	–	3,098,763	–	–	3,098,763
Total deferred inflows of resources	<u>355,318</u>	<u>3,212,413</u>	<u>–</u>	<u>307,110</u>	<u>3,874,841</u>
Fund balances:					
Restricted for:					
General government	–	–	–	73,451	73,451
Public safety	–	–	–	67,207	67,207
Street maintenance	–	–	–	19,086	19,086
Culture and recreation	–	–	–	58,766	58,766
Debt service	–	40,048	–	–	40,048
Committed for:					
Capital improvements	–	–	5,938	129,686	135,624
Assigned for:					
General government	–	–	–	60,282	60,282
Culture and recreation	–	–	–	6,588	6,588
Unassigned	<u>451,638</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>451,638</u>
Total fund balances	<u>451,638</u>	<u>40,048</u>	<u>5,938</u>	<u>415,066</u>	<u>912,690</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 844,789</u>	<u>\$ 3,263,987</u>	<u>\$ 5,938</u>	<u>\$ 733,191</u>	<u>\$ 4,847,905</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

December 31, 2014

Total Governmental Fund Balances	\$ 912,690
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Amounts reported for governmental activities in the
statement of net position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds (capital assets net of accumulated
depreciation):

Cost	\$ 8,185,616	
Accumulated depreciation	<u>(3,835,222)</u>	4,350,394

Other assets not available to pay for current period
expenditures and therefore are not reported in
the governmental funds

Prepaid items	11,173
Special assessments receivable	3,098,763

Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the funds:

Accrued interest payable on general obligation bonds	44,653	
Deferred inflows of resources – premium on general obligation bonds payable	42,446	
Compensated absences payable	67,524	
General obligation bonds payable	3,260,834	
Capital lease obligations payable	<u>446,050</u>	<u>(3,861,507)</u>

Net Position of Governmental Activities	<u>\$ 4,511,513</u>
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The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS**

Year ended December 31, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 678,024	\$ 136,839	\$ –	\$ 379,984	\$ 1,194,847
Special assessment taxes	–	221,041	–	–	221,041
Intergovernmental	109,425	–	–	129,973	239,398
Licenses and permits	188,565	–	–	5,000	193,565
Charges for services	231,097	–	–	25,787	256,884
Fines and forfeitures	45,480	–	–	–	45,480
Use of money and property	34,728	353	14	1,233	36,328
Miscellaneous	<u>11,442</u>	<u>1,613</u>	<u>–</u>	<u>64,090</u>	<u>77,145</u>
Total revenues	<u>1,298,761</u>	<u>359,846</u>	<u>14</u>	<u>606,067</u>	<u>2,264,688</u>
Expenditures:					
Current:					
General government	273,934	–	–	44,458	318,392
Public safety	531,924	–	–	128,511	660,435
Highways and streets	35,767	–	–	91,429	127,196
Health and sanitation	136,134	–	–	1,893	138,027
Culture and recreation	229,322	–	–	194,171	423,493
Economic development	–	–	–	41,156	41,156
Capital improvements	–	–	14,002	–	14,002
Debt Service	<u>81,924</u>	<u>356,213</u>	<u>831</u>	<u>26,085</u>	<u>465,053</u>
Total expenditures	<u>1,289,005</u>	<u>356,213</u>	<u>14,833</u>	<u>527,703</u>	<u>2,187,754</u>
Revenues over (under) expenditures	<u>9,756</u>	<u>3,633</u>	<u>(14,819)</u>	<u>78,364</u>	<u>76,934</u>
Other financing sources (uses):					
General obligation bonds issued	–	–	790,000	–	790,000
Transfers in	<u>–</u>	<u>11,229</u>	<u>–</u>	<u>–</u>	<u>11,229</u>
Total other financing sources (uses)	<u>–</u>	<u>11,229</u>	<u>790,000</u>	<u>–</u>	<u>801,229</u>
Revenues and other sources over expenditures and other uses	9,756	14,862	775,181	78,364	878,163
Fund balances (deficits), beginning of year	<u>441,882</u>	<u>25,186</u>	<u>(769,243)</u>	<u>336,702</u>	<u>34,527</u>
Fund balances, end of year	<u>\$ 451,638</u>	<u>\$ 40,048</u>	<u>\$ 5,938</u>	<u>\$ 415,066</u>	<u>\$ 912,690</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES**

Year Ended December 31, 2014

Net Change in Fund Balances – Total Governmental Funds \$ 878,163

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these
amounts are:

Capital outlays	\$ 139,791
Depreciation	<u>(386,314)</u>

Excess of depreciation over capital outlays	(246,523)
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In the statement of activities, the sale of bonds is reported as a long-term liability, whereas in the governmental funds, the proceeds increase financial resources.	(790,000)
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Capital assets contributed to enterprise fund activities are reported as a transfer out in the statement of activities	(274,031)
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In the statement of activities, the amortization of the bond premium is reported as a decrease to interest expense, whereas in the governmental fund, there is no amortization due to the total premium being reported as a financial resource	9,648
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In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due	(28,144)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	
General obligation bond payment	267,110
Capital leases payment	<u>81,111</u>

Total payments on long-term liabilities	348,221
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Special assessments are not considered available to liquidate liabilities of the current period. However, they are recognized as revenue in the Statement of Activities as soon as the related Improvement is completed and the special assessments are levied	804,529
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Prepaid items	470
Compensated absences payable	<u>4,697</u>

Total	<u>5,167</u>
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Change in Net Position of Governmental Activities	\$ <u>707,030</u>
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The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

(continued on next page)

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 643,011	\$ 643,011	\$ 677,333	\$ 34,322
Intergovernmental	98,084	98,084	109,425	11,341
Licenses, fees and permits	152,400	152,400	191,380	38,980
Charges for services	234,080	234,080	231,097	(2,983)
Fines and forfeitures	35,280	35,280	45,480	10,200
Use of money and property	22,600	22,600	34,728	12,128
Miscellaneous	2,500	2,500	7,596	5,096
Reimbursements	–	–	3,846	3,846
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>–</u>	<u>(10,000)</u>
 Total revenues and other sources	 <u>1,197,955</u>	 <u>1,197,955</u>	 <u>1,300,885</u>	 <u>102,930</u>
Expenditures, encumbrances and other uses:				
General government:				
Administration	190,571	227,687	268,817	(41,130)
Personnel development	6,400	6,400	5,117	1,283
Equipment reserve	100,000	100,000	–	100,000
Debt service	<u>34,113</u>	<u>34,113</u>	<u>34,373</u>	<u>(260)</u>
 Total general government	 <u>331,084</u>	 <u>368,200</u>	 <u>308,307</u>	 <u>59,893</u>
Public safety:				
Police	378,137	378,137	362,062	16,075
Emergency volunteer services – ambulance	49,490	49,490	48,170	1,320
Emergency volunteer services – fire	68,082	68,082	61,947	6,135
Municipal Court	65,093	65,093	59,744	5,349
Debt service	<u>48,020</u>	<u>48,020</u>	<u>47,552</u>	<u>468</u>
 Total public safety	 <u>608,822</u>	 <u>608,822</u>	 <u>579,475</u>	 <u>29,347</u>

CITY OF CLEARWATER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

(continued from previous page)

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Highways and streets:				
Street lights	\$ 22,113	\$ 22,113	\$ 23,228	\$ (1,115)
Health and sanitation:				
Sanitation	<u>135,698</u>	<u>135,698</u>	<u>136,134</u>	<u>(436)</u>
Public Works:				
Shop	<u>13,600</u>	<u>13,600</u>	<u>12,539</u>	<u>1,061</u>
Culture and recreation:				
Parks	108,114	108,114	122,304	(14,190)
Aquatic Center	78,905	78,905	63,795	15,110
Community/Senior Center	17,494	22,378	22,363	15
Historical museum	6,025	6,025	14,057	(8,032)
Library	<u>8,600</u>	<u>8,600</u>	<u>6,803</u>	<u>1,797</u>
Total culture and recreation	<u>219,138</u>	<u>224,022</u>	<u>229,322</u>	<u>(5,300)</u>
Total expenditures, encumbrances and other uses	<u>1,330,455</u>	<u>1,372,455</u>	<u>1,289,005</u>	<u>83,450</u>
Revenues and other sources over (under) expenditures, encumbrances and other uses	(132,500)	(174,500)	11,880	186,380
Fund balance, beginning of year	<u>132,500</u>	<u>379,350</u>	<u>379,350</u>	<u>—</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ 204,850</u>	<u>\$ 391,230</u>	<u>\$ 186,380</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS
STATEMENT OF NET POSITION – ALL ENTERPRISE FUNDS
December 31, 2014

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Waterworks System</u>	<u>Sewer System</u>	<u>Total Enterprise Funds</u>
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 220,908	\$ 195,485	\$ 416,393
Trade accounts receivable	<u>19,341</u>	<u>40,438</u>	<u>59,779</u>
Total current assets	<u>240,249</u>	<u>235,923</u>	<u>476,172</u>
Noncurrent assets:			
Capital assets:			
Land	15,450	48,919	64,369
Buildings	82,527	15,494	98,021
Improvements other than buildings	1,741,397	3,066,570	4,807,967
Machinery	<u>162,434</u>	<u>164,376</u>	<u>326,810</u>
	2,001,808	3,295,359	5,297,167
Less accumulated depreciation	<u>(1,058,737)</u>	<u>(1,576,130)</u>	<u>(2,634,867)</u>
Capital assets, net	<u>943,071</u>	<u>1,719,229</u>	<u>2,662,300</u>
Total assets	<u>1,183,320</u>	<u>1,955,152</u>	<u>3,138,472</u>

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 8,793	\$ 3,194	\$ 11,987
Compensated absences payable	24,734	3,841	28,575
Current portion of general obligation bonds payable	—	82,890	82,890
Accrued interest payable	—	5,447	5,447
Total current liabilities	<u>33,527</u>	<u>95,372</u>	<u>128,899</u>
Noncurrent liabilities:			
Long-term portion of compensated absences payable	19,633	740	20,373
Long-term portion of general obligation bonds payable	—	696,276	696,276
Total other liabilities	<u>19,633</u>	<u>697,016</u>	<u>716,649</u>
Total liabilities	<u>53,160</u>	<u>792,388</u>	<u>845,548</u>
Deferred inflows of resources:			
Premium general obligation bonds	—	24,757	24,757
<u>NET POSITION</u>			
Net position:			
Invested in capital assets, net	943,071	940,063	1,883,134
Unrestricted	<u>187,089</u>	<u>197,944</u>	<u>385,033</u>
Total net position	<u>\$ 1,130,160</u>	<u>\$ 1,138,007</u>	<u>\$ 2,268,167</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION –
ALL ENTERPRISE FUNDS

Year ended December 31, 2014

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 345,289	\$ 350,883	\$ 696,172
Miscellaneous	<u>1,497</u>	<u>686</u>	<u>2,183</u>
Total operating revenues	<u>346,786</u>	<u>351,569</u>	<u>698,355</u>
Operating expenses:			
Personnel services	184,027	145,129	329,156
Contractual services	62,391	66,299	128,690
Commodities	35,205	7,789	42,994
Depreciation	<u>42,212</u>	<u>100,301</u>	<u>142,513</u>
Total operating expenses	<u>323,835</u>	<u>319,518</u>	<u>643,353</u>
Operating income	<u>22,951</u>	<u>32,051</u>	<u>55,002</u>
Nonoperating revenues (expense):			
Interest income	444	487	931
Interest expense	–	(16,710)	(16,710)
Accretion of bond premium	<u>–</u>	<u>5,627</u>	<u>5,627</u>
Total nonoperating revenue (expense)	<u>444</u>	<u>(10,596)</u>	<u>(10,152)</u>
Income before contributions and transfers	23,395	21,455	44,850
Contribution from municipality	125,335	148,696	274,031
Transfers out	<u>(11,229)</u>	<u>–</u>	<u>(11,229)</u>
Change in net position	137,501	170,151	307,652
Net position, beginning of year	<u>992,659</u>	<u>967,856</u>	<u>1,960,515</u>
Net position, end of year	<u>\$1,130,160</u>	<u>\$1,138,007</u>	<u>\$ 2,268,167</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS
(continued on next page)

Year ended December 31, 2014

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 347,063	\$ 350,964	\$ 698,027
Cash payments for materials and services	(93,547)	(73,366)	(166,913)
Cash payments to employees for services	(184,738)	(150,405)	(335,143)
Other cash receipts	<u>1,497</u>	<u>686</u>	<u>2,183</u>
Net cash provided by operating activities	<u>70,275</u>	<u>127,879</u>	<u>198,154</u>
Cash flows from capital and related financing activities:			
Principal paid on general obligation bonds	–	(82,890)	(82,890)
Interest paid on debt	<u>–</u>	<u>(23,446)</u>	<u>(23,446)</u>
Net cash provided (used) by capital and related financing activities	<u>–</u>	<u>(106,336)</u>	<u>(106,336)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(11,229)</u>	<u>–</u>	<u>(11,229)</u>
Cash flows from investing activities:			
Interest income	<u>444</u>	<u>487</u>	<u>931</u>
Net increase in cash and cash equivalents	59,490	22,030	81,520
Cash and cash equivalents, beginning of year	<u>161,418</u>	<u>173,455</u>	<u>334,873</u>
Cash and cash equivalents, end of year	<u>\$ 220,908</u>	<u>\$ 195,485</u>	<u>\$ 416,393</u>

CITY OF CLEARWATER, KANSAS

STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS
(continued from previous page)

Year ended December 31, 2014

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income	\$ 22,951	\$ 32,051	\$ 55,002
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	42,212	100,301	142,513
Changes in assets and liabilities:			
Decrease in accounts receivable	1,774	81	1,855
Increase in accounts payable	4,049	722	4,771
Decrease in compensated absences payable	<u>(711)</u>	<u>(5,276)</u>	<u>(5,987)</u>
Net cash provided by operating activities	<u>\$ 70,275</u>	<u>\$ 127,879</u>	<u>\$ 198,154</u>

During 2014, the Water Utility and Sewer Utility Funds received noncash contributions of water and sewer lines from the municipality in the amounts of \$125,335 and \$148,696, respectively.

The accompanying notes are an integral part of the financial statements.

CITY OF CLEARWATER, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council persons and provides services to its citizens in the areas of highways and streets, water and sewer utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Clearwater, Kansas (the primary government) and its component unit. The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely presented component unit

The component unit columns in the combined financial statements include the financial data of the accounts managed by the Clearwater Public Library Board. It is reported in a separate column to emphasize that it is legally separate from the City however, the governing body of this component unit is appointed by the Mayor with approval by the City Council. In addition, the City provides facilities and performs most accounting functions for the Library. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The Library Board also receives funding through state assistance programs and community donations. The Library operations are accounted for using the same principles as the governmental fund types of the City. The Library Board does not issue separate audited financial statements.

Blended component unit

The Clearwater Public Building Commission was established in October 1999 by Ordinance of the Clearwater City Council. The Clearwater Public Building Commission is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Clearwater Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and facilities. The financial activities of the Clearwater Public Building Commission are reflected in the Clearwater Public Building Commission special revenue fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance in their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The government-wide financial statements, consisting of the statement of net position and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net position presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

Fund financial statements

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for and report all financial resources not accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Water Utility Fund – The Water Utility Fund is used to account for the operation of the municipal water utility including water supply, treatment and distribution.

Sewer Utility Fund – The Sewer Utility Fund is used to account for the operation of the municipal sewer utility including the collection and treatment of wastewater.

The City also reports the following fund types:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects

Agency Funds – The agency funds are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments. The City reports a Payroll Withholding Tax fund to account for withholdings from City employees' that are due to others.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Licenses, fees, fines, forfeitures, charges for services and other revenue are generally not susceptible to accrual and are recorded when received in cash.

Cash and short-term investments

Cash and short-term investments include amounts in demand deposit, money market accounts and certificates of deposit. Investments are carried at fair value. Deposits are reported at their carrying amount, which approximates fair value. For purposes of the statement of cash flows, the Water Utility Fund and Sewer Utility Fund consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. Interest income is credited to the various funds of the City based on average cash balances available for investment.

Property taxes and other receivables

In accordance with governing State statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on January 1 and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources on the balance sheets of the appropriate funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Recognized State-shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Federal and state grant aid is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Special assessments receivable

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's Debt Service Fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's Debt Service

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund. Special assessment taxes are levied over a ten or fifteen-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Debt Service Fund and accrued as revenues in the Statement Net Position. Since they are not considered available spendable resources for the funds statement, the special assessments receivable are reported as deferred inflows of resources in the funds statement.

Sales tax receivable

Sedgwick County imposes a 1% countywide local sales tax that is collected by the State and remitted to the City on a monthly basis. The accrued sales tax receivable represents the sales tax collected by the merchants and held by the State at year-end. Such taxes are available to liquidate expenditures of the current period and are accrued as revenues at year-end.

Franchise fees receivable

Franchise fees are remitted to the City on a monthly, quarterly or annual basis. Such fees are based on gross receipts by the franchisor for the remittance period. At year-end, the franchise fees based on gross receipts during the City's fiscal year have been accrued as revenues since they are considered available to liquidate expenditures of the current period.

Inventories and prepaid items

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$500 or more. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the City's infrastructure assets include only those assets acquired subsequent to January 1, 2004. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	40 to 50 years
Improvements other than buildings	20 to 40 years
Infrastructure (streets)	20 years
Machinery and equipment	3 to 20 years

Amortization of capital leases is included in depreciation.

Revenue recognition for utility funds

Revenue is recorded as billed to customers on a cycle basis. Residential and commercial customers are billed monthly. Unbilled service receivables are not accrued at year-end and are not significant to the enterprise fund types.

Compensated absences

The City's policies regarding vacation permits full-time employees with one to four years service to earn 10 days vacation pay, five to nine years of service earn 15 days vacation pay and ten or more years of service earn vacation pay at the rate of twenty days per year. Vacation time must be taken within one year of accrual. Sick leave is allowed to accumulate at the rate of one day for each full month of service with a maximum accumulation of 60 days. At termination, an employee shall be compensated for all accumulated vacation pay. All accumulated sick leave is canceled upon termination. The liabilities for accrued compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued liabilities and long-term debt

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

General obligation bond payments from the Sewer Utility enterprise fund are deducted from the liability as made.

The present value of net minimum capitalized lease payments is recorded as expenditures in the applicable governmental fund and subsequent lease payments are accounted for as debt service expenditures.

Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System, which is a cost sharing multi-employer statewide defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Deferred outflows/inflows of resources

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City has not identified any financial statement balances that met the definition of a deferred outflow of resources. The City identified three items that met the definition of a deferred inflow of resources. These items include property taxes receivable, special assessment taxes receivable and premium received on the sale of general obligation bonds and these items are reclassified as deferred inflows of resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net position flow assumption

The government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the government-wide financial statements, equity is reflected as net position and classified into three components:

- Invested in capital assets, net of related debt – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.
- Restricted – consisting of net position items with constraints place on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – all other net position items that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

In the governmental funds financial statements, equity is classified into potential five components:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Nonspendable – the nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- Restricted – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned – fund balance that is constrained by the government's intent to be used for specified purposes, but are neither restricted or committed.
- Unassigned – this represents the residual classification for the General Fund.

Budgetary principles

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. The Police Reserves, Donations Ambulance, Donations Crimestoppers, Donations Fire, Donations Park, Donations Historical Society, Donations Senior Center Building, Law Enforcement Trust and Clearwater Public Building Commission funds are exempt from legally adopted budgetary requirements. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. During 2014, the City Council amended the following individual fund budgets:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
General	\$ 1,330,455	\$ 1,372,455
Special Liability	11,100	11,049
Special Parks and Recreation	15,500	40,000
Library	85,363	87,583
Library Employee Benefits	8,913	9,010
Debt Service	342,285	345,241

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year except for capital project fund appropriations which are carried forward until such time as the project is completed or terminated. Accordingly, the actual data presented in the budgetary comparison statements differ from the data presented in the financial statements prepared in accordance with generally accepted accounting principles.

Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Deposits

K.S.A. 9-1401 establishes the depositories that may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

2. DEPOSITS AND INVESTMENTS (continued)

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2014, is as follows:

Emprise Bank	100%
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Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2014.

At year-end, the carrying amount of the City's deposits was \$1,236,805 with the bank balances of such accounts being \$1,302,619. Of the bank balances, \$272,501 was covered by federal depository insurance and the remaining balance of \$1,030,118 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its bank. The fair value of the pledged securities held by the City's custodial bank was \$1,796,207 at December 31, 2014.

The City's discretely presented component unit cash and investments at December 31, 2014 consisted of checking, savings and certificate of deposit accounts. At year-end, the carrying amount and the bank balances of the City's discretely presented component unit deposits were \$63,050, which were entirely covered by federal depository insurance.

The City's blended component unit cash and investments at December 31, 2014 consisted of a money market checking account. At year-end, the carrying amount and the bank balances of the City's blended component unit deposits were \$60,282, which were entirely covered by federal depository insurance.

A reconciliation of cash and investments as reported in the Statement of Net Position at December 31, 2014 is as follows:

2. DEPOSITS AND INVESTMENTS (continued)

Carrying amount of deposits – City	\$ 1,236,805
Carrying amount of deposits held by fiscal agent	11,526
Carrying amount of deposits – blended component unit	60,282
Carrying amount of deposits – discretely presented component unit	<u>63,050</u>
Total	<u>\$ 1,371,663</u>
Amounts per Statement of Net Position:	
Cash and investments	\$ 1,297,087
Restricted cash held by fiscal agent	11,526
Cash and investments – discretely presented component unit	<u>63,050</u>
Total	<u>\$ 1,371,663</u>

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2014 is as follows:

	Balance January 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2014</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 539,575	\$ – 41,157	\$ –	\$ 580,732
Construction work In progress	<u>768,577</u>	<u>55,264</u>	<u>823,841</u>	<u>–</u>
	<u>1,308,152</u>	<u>96,421</u>	<u>823,841</u>	<u>580,732</u>
Capital assets being depreciated:				
Buildings	1,055,551	–	–	1,055,551
Improvements other than buildings	1,784,441	49,155	–	1,833,596
Infrastructure	2,310,711	532,700	–	2,843,411
Machinery and equipment	<u>1,861,001</u>	<u>11,325</u>	<u>–</u>	<u>1,872,326</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Total capital assets being depreciated	\$ 7,011,704	\$ 593,180	\$ —	\$ 7,604,884
Less accumulated depreciation for:				
Buildings	313,851	28,318	—	342,169
Improvements other than buildings	1,177,139	78,098	—	1,255,237
Infrastructure	741,871	129,430	—	871,301
Machinery and equipment	1,216,047	150,468	—	1,366,515
Total accumulated depreciation	3,448,908	386,314	—	3,835,222
Total capital assets being depreciated, net	3,562,796	206,866	—	3,769,662
Governmental activities capital assets, net	\$ 4,870,948	\$ 303,287	\$ 823,841	\$ 4,350,394

Business-Type Activities:

Capital assets, not being depreciated				
Land	\$ 64,369	\$ —	\$ —	\$ 64,369
Capital assets being depreciated:				
Buildings	98,021	—	—	98,021
Improvements other than buildings	4,533,936	274,031	—	4,807,967
Machinery and equipment	326,810	—	—	326,810

3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2014</u>
Total capital assets being depreciated	\$ <u>4,958,767</u>	\$ <u>274,031</u>	\$ <u>—</u>	\$ <u>5,232,798</u>
Less accumulated depreciation for:				
Buildings	44,242	3,677	—	47,919
Improvements other than buildings	2,194,663	125,771	—	2,320,434
Machinery and equipment	<u>253,449</u>	<u>13,065</u>	<u>—</u>	<u>266,514</u>
Total accumu- lated depreciation	<u>2,492,354</u>	<u>142,513</u>	<u>—</u>	<u>2,634,867</u>
Total capital assets being depreciated, net	<u>2,466,413</u>	<u>131,518</u>	<u>—</u>	<u>2,597,931</u>
Business-type activities capital assets, net	<u>\$ 2,530,782</u>	<u>\$ 131,518</u>	<u>\$ —</u>	<u>\$ 2,662,300</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 12,979
Public safety	131,369
Highways and streets (including depreciation of infrastructure assets)	126,048
Culture and recreation	<u>115,918</u>
Total depreciation expense – governmental activities	<u>\$ 386,314</u>
Business-type activities:	
Water Utility	\$ 42,212
Sewer Utility	<u>100,301</u>
Total depreciation expense – business-type activities	<u>\$ 142,513</u>

4. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions of the City for the year ended December 31, 2014:

	Outstanding January 1, 2014	Additions	Deletions	Outstanding December 31, 2014	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$2,737,944	\$ 790,000	\$ 267,110	\$ 3,260,834	\$ 297,110
Capital lease obligations	527,161	–	81,111	446,050	81,142
Compensated absences	<u>72,221</u>	<u>35,007</u>	<u>39,704</u>	<u>67,524</u>	<u>34,887</u>
Total long-term liabilities – Governmental activities	<u>\$3,337,326</u>	<u>\$ 825,007</u>	<u>\$ 387,925</u>	<u>\$ 3,774,408</u>	<u>\$ 413,139</u>
<u>Business-type activities</u>					
General obligation bonds	\$ 862,056	\$ –	\$ 82,890	\$ 779,166	\$ 82,890
Compensated absences	<u>54,935</u>	<u>27,058</u>	<u>33,045</u>	<u>48,948</u>	<u>28,575</u>
Total long-term liabilities – Business-Type activities	<u>\$916,991</u>	<u>\$ 27,058</u>	<u>\$ 115,935</u>	<u>\$ 828,114</u>	<u>\$ 111,465</u>

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2028. At December 31, 2014 the outstanding general obligation bonds consist of the following:

	Interest Rates	Bonds Outstanding
General Obligation Bonds, Series 2000	4.60 - 6.50%	\$ 55,000
General Obligation Bonds, Series 2007	3.60 – 4.15%	660,000
General Obligation Refunding Bonds, Series 2012	2.00 – 3.00%	2,115,000
General Obligation Bonds, Series 2013	1.55 – 3.00%	420,000
General Obligation Bonds, Series 2014	2.25 – 4.20%	<u>790,000</u>
Total outstanding general obligation bonds		4,040,000
Less debt service from enterprise funds		<u>(779,166)</u>
Total general obligation bonds payable from debt service fund		<u>\$ 3,260,834</u>

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes.

Series 2000 bonds maturing in the years 2011 and thereafter, may be called for redemption and payment on August 1, 2008, and thereafter as a whole or in part at any time on any interest payment date at 100% of the principal amount outstanding plus accrued interest to the redemption date.

4. LONG-TERM DEBT (continued)

Series 2000 bonds maturing in the years 2011 and thereafter, may be called for redemption and payment on August 1, 2008, and thereafter as a whole or in part at any time on any interest payment date at 100% of the principal amount outstanding plus accrued interest to the redemption date.

The Series 2007 bonds maturing in the years 2015 and thereafter, may be called for redemption and payment prior to their stated maturity on October 1, 2014, and thereafter as a whole or in part at any time, at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series 2012 bonds maturing on October 1 in the years 2022 and thereafter, at the option of the issuer, will be subject to redemption and payment prior to their stated maturity on October 1, 2021, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series 2013 bonds maturing on October 1 in the years 2021, and thereafter, will be subject to redemption and payment prior to their stated maturity on October 1, 2020, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series 2014 bonds maturing on October 1 in the years 2024, and thereafter, will be subject to redemption and payment prior to their stated maturity on October 1, 2023, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

Annual debt service requirements to maturity for general obligation bonds to be retired from the Debt Service Fund are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 297,110	\$ 116,718	\$ 413,828
2016	265,268	93,668	358,936
2017	274,742	84,987	359,729
2018	287,900	76,113	364,013
2019	302,374	66,916	369,290
2020	307,374	57,404	364,778
2021	318,690	48,086	366,776
2022	279,478	38,333	317,811
2023	252,898	30,220	283,118
2024	70,000	22,482	92,482
2025	70,000	20,592	90,592
2026	75,000	18,657	93,657
2027	80,000	16,465	96,465
2028	80,000	14,075	94,075

4. LONG-TERM DEBT (continued)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2029	\$ 45,000	\$ 11,538	\$ 56,538
2030	45,000	9,962	54,962
2031	50,000	8,275	58,275
2032	50,000	6,400	56,400
2033	55,000	4,400	59,400
2034	<u>55,000</u>	<u>2,200</u>	<u>57,200</u>
	<u>\$ 3,260,834</u>	<u>\$ 747,491</u>	<u>\$ 4,008,325</u>

General obligation bonds payable from enterprise funds

Remaining debt service requirements for general obligation bonds to be paid from the Sewer Fund are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 82,890	\$ 21,789	\$ 104,679
2016	84,732	20,131	104,863
2017	90,258	17,589	107,847
2018	92,100	14,881	106,981
2019	97,626	12,118	109,744
2020	97,626	9,189	106,815
2021	101,310	6,261	107,571
2022	75,522	3,221	78,743
2023	<u>57,102</u>	<u>1,428</u>	<u>58,530</u>
	<u>\$ 779,166</u>	<u>\$ 106,607</u>	<u>\$ 885,773</u>

Capitalized lease obligations

During 2013, the City entered into two lease agreements for the purchase of two police vehicles. The leases require monthly lease payments of \$799 and \$856, including interest, through July 2016. The leases are being serviced through the City's General Fund.

The City also entered into a lease agreement for the financing of a new ambulance during 2013. The lease agreement provides for semiannual payments of \$11,543, including interest, through August 2019. The lease is being serviced through the City's Emergency Medical Services Fund.

During 2012, the City entered into a lease agreement for the purchase of a police vehicle. The lease requires monthly lease payments of \$814, including interest, through August 2015. The lease is being serviced through the City's General Fund.

4. LONG-TERM DEBT (continued)

During 2008, the City entered into a lease agreement for the purchase of land for an industrial park. The lease requires annual lease payments of \$34,112, including interest, through March 2023. This lease is being serviced through the City's General Fund.

During 2008, the City entered into a lease agreement for the purchase of a fire truck. The lease requires monthly lease payments of \$1,494, including interest, through January 2019. This lease is being serviced through the City's General Fund.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of lease inception. The annual requirements to amortize the capital lease obligations outstanding at December 31, 2014, including interest payments, are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Industrial</u> <u>Park</u> <u>Land</u>	<u>Ambu-</u> <u>lance</u>	<u>Fire</u> <u>Truck</u>	<u>Police</u> <u>Vehicles</u>	<u>Total</u> <u>Capital</u> <u>Leases</u>
2015	\$ 34,112	\$ 23,085	\$ 17,927	\$ 26,371	\$ 101,495
2016	34,112	23,085	17,927	10,788	85,912
2017	34,112	23,085	17,927	—	75,124
2018	34,112	23,085	17,473	—	74,670
2019	34,112	23,085	—	—	57,197
2020	34,112	—	—	—	34,112
2021	34,112	—	—	—	34,112
2022	34,112	—	—	—	34,112
2023	<u>34,112</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,112</u>
Total minimum lease payments	307,008	115,425	71,254	37,159	530,846
Less amount representing interest	<u>\$ (68,676)</u>	<u>\$ (6,342)</u>	<u>\$ (7,319)</u>	<u>\$ (2,459)</u>	<u>\$ (84,796)</u>
Present value of minimum lease payments	<u>\$ 238,332</u>	<u>\$ 109,083</u>	<u>\$ 63,935</u>	<u>\$ 34,700</u>	<u>\$ 446,050</u>

The cost and accumulated depreciation of the equipment under capital lease at December 31, 2014 is as follows:

	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>
Industrial park land	\$ 345,000	\$ —
Ambulance	154,576	30,916
Fire truck	166,950	58,436
Police vehicles	81,080	62,999

4. LONG-TERM DEBT (continued)

Compensated absences

The governmental funds portion of outstanding compensated absence liabilities is principally liquidated from resources of the General Fund.

5. TEMPORARY NOTES PAYABLE

Kansas law permits the issuance of temporary notes to finance certain capital improvement projects that will be refinanced with general obligation bonds. Prior to the issuance of the temporary notes, the governing body must take necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. The City retired \$950,000 of temporary notes during 2014. The City had no outstanding temporary notes at December 31, 2014.

During 2014, the temporary note activity for the Capital Improvement Projects was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Indian Lakes Phase 1	\$ 765,000	\$ —	\$ 765,000	\$ —
Indian Lakes Phase 2	<u>185,000</u>	<u>—</u>	<u>185,000</u>	<u>—</u>
Totals	<u>\$ 950,000</u>	<u>\$ —</u>	<u>\$ 950,000</u>	<u>\$ —</u>

6. PENSION PLAN

Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas, Suite 100, Topeka, Kansas 66603 or by calling 1-888-275-5737.

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 5% of covered salary for participants employed prior to July 1, 2009 and 6% for new participants employed July 1, 2009 and thereafter. Member-employees' contributions are withheld by

6. PENSION PLAN (continued)

their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate, established by statute, for the period from January 1, 2014 to December 31, 2014 was 9.69%. Included in this rate is the contribution for Group Death and Disability Insurance of .85%. The City's contributions to KPERS for the years ending December 31, 2014, 2013 and 2012 were \$68,914, \$62,959 and \$53,449, respectively, equal to the statutory required contributions for each year.

7. BUDGETARY DATA

As described in Note 1, the actual data presented in the budgetary comparison statements differ from data presented in accordance with generally accepted accounting principles (GAAP) for the governmental fund types. The following reconciliation's are presented to provide a correlation between the different bases of reporting:

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds
GAAP Fund Balance at December 31, 2014	\$ 451,638	\$40,048	\$ 415,066
Adjustments:			
Accrued sales tax revenues	(31,419)	—	—
Accrued franchise fee revenues	(28,989)	—	—
Outstanding encumbrances at end of year	—	—	(144)
Fund balances not subject to the Kansas budget law	<u>—</u>	<u>—</u>	<u>(140,300)</u>
Budgetary Fund Balance at December 31, 2014	<u>\$ 391,230</u>	<u>\$40,048</u>	<u>\$ 274,622</u>

8. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2014, individual capital project authorizations compared with project expenditures from inception which are reported within the Capital Projects Fund are as follows:

8. CAPITAL PROJECT AUTHORIZATIONS (continued)

	<u>Project authorizations</u>	<u>Expenditures project inception to December 31, 2014</u>
Clearwater Business Park Water Improvement Project	\$ 924,800	\$ 435,404
Indian Lakes Phase 1 Improvement Project	1,041,527	639,378
Indian Lakes Phase 2 Improvement Project	218,673	166,002

9. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for 2014 is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Funds:		
Debt Service	\$ 11,229	\$ —
Water Utility	<u>—</u>	<u>11,229</u>
Total transfers	<u>\$ 11,229</u>	<u>\$ 11,229</u>

Routine transfers included \$11,229 from the Water Utility Fund to the Debt Service Fund to provide for financial assistance in servicing water related bonded debt.

10. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

11. COMMITMENTS AND CONTINGENCIES

During 2014, the City Council authorized two street projects on 4th Street from 95th Street to Ross Avenue and at Tracey and Ross Avenue in an amount not to exceed \$350,000. Construction on these projects had not begun as of December 31, 2015.

During 2013, the City received an Order from the Kansas Department of Health and Environment (KDHE) pertaining to the current operations of the City's wastewater treatment facility. The Order required the City to hire an engineer with expertise in wastewater facility operations and for the City to submit a plan of action regarding the Order. The City employed a consulting engineer and a plan of action was submitted to KDHE that included a 3 Phase implementation of the facility operations. Phase 1 includes maintaining all treatment cells at maximum water depths and to create a no discharge event. Phase 2 of the plan includes system monitoring for one year with a summary report and recommendations to be submitted to KDHE by July 15, 2015. In addition, there shall be an elimination of flow from cell 1 or cell 2 into cell 3 with the sludge depth in cell 3 being re-measured in June 2015. A recirculation pumping system shall be constructed as soon as possible and moving of existing aerators and extended analytical performance monitoring. A review for the upgrade of the affluent structure shall be reported on by September 2014. Phase 3 provides that after the analytical performance monitoring report in July 2015 there will be a review of effluent compliance and any enforcement needs for Phase 2 or 3 improvements as well as the feasibility for implementing effluent irrigation to achieve no discharge operations.

During 2014, the City Council approved and submitted to KDHE a permanent plan for sewer system improvements as presented by the City's consulting engineers for the project. In addition, the City Council authorized improvements to the City's sewer system in an amount not to exceed \$410,000. Project construction specifications to allow for the bidding process are currently being performed.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 27, 2015, the date on which the financial statements were available to be issued.

**COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The primary purpose of the Special Revenue Funds is to account for the proceeds of designated revenue sources which are used to finance specified activities as required by law or administrative regulation. The following nonmajor Special Revenue Funds are reported:

Special Highway Fund – to account for the state shared tax for the construction, reconstruction or maintenance of streets.

Employee Benefits Fund – to account for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes, health insurance, life insurance and pension contributions for employees of the City.

Special Liability Insurance Fund – to account for costs incurred related to legal defense, claims, and other direct and indirect costs resulting from the Kansas Tort Claims Act.

Special Parks and Recreation Fund – to account for the state shared tax for parks and recreation.

Capital Improvement Fund – to account for the financing of public improvements including the repair, restoration and rehabilitation of existing public facilities.

Library Fund – to account for the taxes levied for the funding for the operation of the public library.

Library Employee Benefits Fund – to account for the taxes levied for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes and pension contributions for employees of the public library.

Emergency Medical Services Fees Fund – to account for the fees assessed to City residents to provide resources for emergency medical services operations.

Senior Citizens Fund – to account for moneys appropriated to the City from Sedgwick County for senior citizen's activities.

Police Reserves Fund – to account for donations specified for use in police reserve activities.

Donations Ambulance Fund – to account for public donations specified for use in providing emergency ambulance services.

Donations Crimestoppers Fund – to account for public donations specified for use in policing activities.

NONMAJOR SPECIAL REVENUE FUNDS (continued)

Donations Fire Fund – to account for public donations specified for use in providing fire-fighting activities.

Donations Park Fund – to account for public donations and grants specified for use in providing park facilities for the public.

Donations Historical Society Fund – to account for public donations and membership proceeds for providing a Historical Museum in the City.

Donations Senior Center Building Fund – to account for public donations for providing a new Senior Center Building.

Law Enforcement Trust Fund – to account for the proceeds from forfeitures of property obtained through the County Attorney's office related to drug offense prosecutions.

Clearwater Public Building Commission – the Clearwater Public Building Commission is a component unit of the City and is used to account for the acquisition and subsequent debt service of public buildings utilized by the City.

CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

(continued on next page)

December 31, 2014

	Special Highway	Employee Benefits	Special Liability Insurance	Special Parks and Recreation	Capital Improve- ment	Library	Library Employee Benefits	Emergency Medical Services Fees	Senior Citizens	Police Reserves
<u>ASSETS</u>										
Cash and short-term investments	\$ 20,750	\$ 73,258	\$ 193	\$ 29,799	\$ 129,686	\$ –	\$ 164	\$ 21,499	\$ 7,068	\$ 2,362
Accounts receivable	–	–	–	–	–	–	–	2,758	–	–
Taxes receivable	–	174,608	9,121	–	57,484	57,484	8,413	–	–	–
Total assets	<u>\$ 20,750</u>	<u>\$ 247,866</u>	<u>\$ 9,314</u>	<u>\$ 29,799</u>	<u>\$ 187,170</u>	<u>\$ 57,484</u>	<u>\$ 8,577</u>	<u>\$ 24,257</u>	<u>\$ 7,068</u>	<u>\$ 2,362</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>										
Liabilities:										
Accounts payable	\$ 1,664	–	–	\$ 8,265	–	–	–	–	\$ 480	–
Deferred inflows of resources:										
Property taxes receivable	–	174,608	9,121	–	57,484	57,484	8,413	–	–	–
Fund balances:										
Restricted for:										
General government	–	73,258	193	–	–	–	–	–	–	–
Public safety	–	–	–	–	–	–	–	24,257	–	2,362
Street maintenance and improvements	19,086	–	–	–	–	–	–	–	–	–
Culture and recreation	–	–	–	21,534	–	–	164	–	–	–
Committed for:										
Capital improvements	–	–	–	–	129,686	–	–	–	–	–
Assigned for:										
General government	–	–	–	–	–	–	–	–	–	–
Culture and recreation	–	–	–	–	–	–	–	–	6,588	–
Total fund balances	<u>19,086</u>	<u>73,258</u>	<u>193</u>	<u>21,534</u>	<u>129,686</u>	<u>–</u>	<u>164</u>	<u>24,257</u>	<u>6,588</u>	<u>2,362</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 20,750</u>	<u>\$ 247,866</u>	<u>\$ 9,314</u>	<u>\$ 29,799</u>	<u>\$ 187,170</u>	<u>\$ 57,484</u>	<u>\$ 8,577</u>	<u>\$ 24,257</u>	<u>\$ 7,068</u>	<u>\$ 2,362</u>

CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
(continued from previous page)

December 31, 2014

	<u>Donations Ambu- lance</u>	<u>Donations Crime- stoppers</u>	<u>Donations Fire</u>	<u>Donations Park</u>	<u>Donations Historical Society</u>	<u>Donations Senior Center Building</u>	<u>Law Enforce- ment Trust</u>	<u>Clearwater Public Building Commission</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>									
Cash and short-term investments	\$ 13,586	\$ 12,058	\$ 14,283	\$ 1,774	\$ 28,483	\$ 6,829	\$ 1,249	\$ 60,282	\$ 423,323
Accounts receivable	-	-	-	-	-	-	-	-	2,758
Taxes receivable	-	-	-	-	-	-	-	-	307,110
Total assets	<u>\$ 13,586</u>	<u>\$ 12,058</u>	<u>\$ 14,283</u>	<u>\$ 1,774</u>	<u>\$ 28,483</u>	<u>\$ 6,829</u>	<u>\$ 1,249</u>	<u>\$ 60,282</u>	<u>\$ 733,191</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 85	\$ 503	\$ -	\$ -	\$ 2	\$ 16	\$ -	\$ -	\$ 11,015
Deferred inflows of resources:									
Property taxes receivable	-	-	-	-	-	-	-	-	307,110
Fund balances:									
Restricted for:									
General government	-	-	-	-	-	-	-	-	73,451
Public safety	13,501	11,555	14,283	-	-	-	1,249	-	67,207
Street maintenance and improvements	-	-	-	-	-	-	-	-	19,086
Culture and recreation	-	-	-	1,774	28,481	6,813	-	-	58,766
Committed for:									
Capital improvements	-	-	-	-	-	-	-	-	129,686
Assigned for:									
General government	-	-	-	-	-	-	-	60,282	60,282
Culture and recreation	-	-	-	-	-	-	-	-	6,588
Total fund balances	<u>13,501</u>	<u>11,555</u>	<u>14,283</u>	<u>1,774</u>	<u>28,481</u>	<u>6,813</u>	<u>1,249</u>	<u>60,282</u>	<u>415,066</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,586</u>	<u>\$ 12,058</u>	<u>\$ 14,283</u>	<u>\$ 1,774</u>	<u>\$ 28,483</u>	<u>\$ 6,829</u>	<u>\$ 1,249</u>	<u>\$ 60,282</u>	<u>\$ 733,191</u>

CITY OF CLEARWATER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
(continued on next page)

Year ended December 31, 2014

	Special Highway	Employee Benefits	Special Liability Insurance	Special Parks and Recreation	Capital Improve- ment	Library	Library Employee Benefits	Emergency Medical Services Fees	Senior Citizens	Police Reserves
Revenues:										
Taxes	\$ -	\$ 227,981	\$ 10,906	\$ 2,688	\$ 63,885	\$ 65,657	\$ 8,867	\$ -	\$ -	\$ -
Intergovernmental	93,224	-	-	15,734	-	-	-	-	21,015	-
Licenses, fees and permits	-	-	-	5,000	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	25,787	-	-
Use of money and property	33	210	9	88	350	-	4	49	-	6
Miscellaneous	327	29,380	327	2,400	-	-	-	-	1,988	-
Total revenues	93,584	257,571	11,242	25,910	64,235	65,657	8,871	25,836	23,003	6
Expenditures:										
General government	-	33,409	11,049	-	-	-	-	-	-	-
Public Safety	-	111,674	-	-	-	-	-	-	-	-
Highways and streets	79,459	11,970	-	-	-	-	-	-	-	-
Health and sanitation	-	1,893	-	-	-	-	-	-	-	-
Culture and recreation	-	58,699	-	40,000	-	65,657	8,880	-	15,000	-
Economic development	-	-	-	-	41,156	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	23,085	3,000	-
Total expenditures	79,459	217,645	11,049	40,000	41,156	65,657	8,880	23,085	18,000	-
Revenues over (under) expenditures	14,125	39,926	193	(14,090)	23,079	-	(9)	2,751	5,003	6
Fund balances, beginning of year	4,961	33,332	-	35,624	106,607	-	173	21,506	1,585	2,356
Fund balances, end of year	\$ 19,086	\$ 73,258	\$ 193	\$ 21,534	\$ 129,686	\$ -	\$ 164	\$ 24,257	\$ 6,588	\$ 2,362

CITY OF CLEARWATER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
(continued from previous page)**

Year ended December 31, 2014

	Donations Ambu- lance	Donations Crime- stoppers	Donations Fire	Donations Park	Donations Historical Society	Donations Senior Center Building	Law Enforce- ment Trust	Clearwater Public Building Commission	Total Nonmajor Governmental Funds
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379,984
Intergovernmental	-	-	-	-	-	-	-	-	129,973
Licenses, fees and permits	-	-	-	-	-	-	-	-	5,000
Charges for services	-	-	-	-	-	-	-	-	25,787
Use of money and property	38	26	22	7	276	18	3	94	1,233
Miscellaneous	<u>16,275</u>	<u>2,092</u>	<u>6,707</u>	<u>-</u>	<u>3,381</u>	<u>1,213</u>	<u>-</u>	<u>-</u>	<u>64,090</u>
Total revenues	<u>16,313</u>	<u>2,118</u>	<u>6,729</u>	<u>7</u>	<u>3,657</u>	<u>1,231</u>	<u>3</u>	<u>94</u>	<u>606,067</u>
Expenditures:									
General government	-	-	-	-	-	-	-	-	44,458
Public safety	14,264	1,366	1,207	-	-	-	-	-	128,511
Highway and streets	-	-	-	-	-	-	-	-	91,429
Health and sanitation	-	-	-	-	-	-	-	-	1,893
Culture and recreation	-	-	-	1,500	2,861	1,574	-	-	194,171
Economic development	-	-	-	-	-	-	-	-	41,156
Debt service	-	-	-	-	-	-	-	-	26,085
Total expenditures	<u>14,264</u>	<u>1,366</u>	<u>1,207</u>	<u>1,500</u>	<u>2,861</u>	<u>1,574</u>	<u>-</u>	<u>-</u>	<u>527,703</u>
Revenues over (under) expenditures	2,049	752	5,522	(1,493)	796	(343)	3	94	78,364
Fund balances, beginning of year	<u>11,452</u>	<u>10,803</u>	<u>8,761</u>	<u>3,267</u>	<u>27,685</u>	<u>7,156</u>	<u>1,246</u>	<u>60,188</u>	<u>336,702</u>
Fund balances, end of year	<u>\$ 13,501</u>	<u>\$ 11,555</u>	<u>\$ 14,283</u>	<u>\$ 1,774</u>	<u>\$ 28,481</u>	<u>\$ 6,813</u>	<u>\$ 1,249</u>	<u>\$ 60,282</u>	<u>\$ 415,066</u>

CITY OF CLEARWATER, KANSAS

SPECIAL HIGHWAY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 94,430	\$ 94,430	\$ 93,224	\$ (1,206)
Use of money and property	250	250	33	(217)
Miscellaneous	<u>—</u>	<u>—</u>	<u>327</u>	<u>327</u>
Total revenues	<u>94,680</u>	<u>94,680</u>	<u>93,584</u>	<u>(1,096)</u>
Expenditures and other uses:				
Personal services	56,978	56,978	57,746	(768)
Contractual services	6,125	6,125	7,470	(1,345)
Commodities	10,000	10,000	8,774	1,226
Capital outlay	<u>6,500</u>	<u>6,500</u>	<u>5,613</u>	<u>887</u>
Total expenditures and other uses	<u>79,603</u>	<u>79,603</u>	<u>79,603</u>	<u>—</u>
Revenues over (under) expenditures	15,077	15,077	13,981	(1,096)
Fund balance, beginning of year	<u>22,893</u>	<u>22,893</u>	<u>4,961</u>	<u>(17,932)</u>
Fund balance, end of year	<u>\$ 37,970</u>	<u>\$ 37,970</u>	<u>\$ 18,942</u>	<u>\$ (19,028)</u>

CITY OF CLEARWATER, KANSAS

EMPLOYEE BENEFITS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$227,833	\$227,833	\$227,981	\$ 148
Use of money and property	150	150	210	60
Miscellaneous	<u>13,860</u>	<u>13,860</u>	<u>29,380</u>	<u>15,520</u>
Total revenues	241,843	241,843	257,571	15,728
Expenditures:				
Personal services	<u>242,224</u>	<u>242,224</u>	<u>217,645</u>	<u>24,579</u>
Revenues over (under)				
expenditures	(381)	(381)	39,926	40,307
Fund balance,				
beginning of year	<u>381</u>	<u>381</u>	<u>33,332</u>	<u>32,951</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 73,258</u>	<u>\$ 73,258</u>

CITY OF CLEARWATER, KANSAS

SPECIAL LIABILITY INSURANCE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 10,943	\$ 10,673	\$ 10,906	\$ 233
Use of money and property	7	7	9	2
Miscellaneous	<u>50</u>	<u>50</u>	<u>327</u>	<u>277</u>
Total revenues	11,000	10,730	11,242	512
Expenditures:				
Contractual services	<u>11,100</u>	<u>11,049</u>	<u>11,049</u>	<u>—</u>
Revenues over (under)				
expenditures	—	(370)	193	563
Fund balance,				
beginning of year	<u>—</u>	<u>370</u>	<u>—</u>	<u>(370)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 193</u>	<u>\$ 193</u>

CITY OF CLEARWATER, KANSAS

SPECIAL PARKS AND RECREATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Liquor tax	\$ 3,000	\$ 3,070	\$ 2,688	\$ (382)
Intergovernmental	1,000	1,030	15,734	14,704
Licenses, fees and permits	5,000	5,000	5,000	—
Use of money and property	50	50	88	38
Miscellaneous	<u>—</u>	<u>5,379</u>	<u>2,400</u>	<u>(2,979)</u>
Total revenues	<u>9,050</u>	<u>14,529</u>	<u>25,910</u>	<u>11,381</u>
Expenditures:				
Contractual services	5,500	5,000	5,000	—
Capital outlay	<u>10,000</u>	<u>35,000</u>	<u>35,000</u>	<u>—</u>
Total expenditures	<u>15,500</u>	<u>40,000</u>	<u>40,000</u>	<u>—</u>
Revenues over (under) expenditures	(6,450)	(25,471)	(14,090)	11,381
Fund balance, beginning of year	<u>29,188</u>	<u>35,624</u>	<u>35,624</u>	<u>—</u>
Fund balance, end of year	<u>\$ 22,738</u>	<u>\$ 10,153</u>	<u>\$ 21,534</u>	<u>\$ 11,381</u>

CITY OF CLEARWATER, KANSAS

CAPITAL IMPROVEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 70,176	\$ 70,176	\$ 63,885	\$ (6,291)
Use of money and property	<u>400</u>	<u>400</u>	<u>350</u>	<u>(50)</u>
Total revenues	<u>70,576</u>	<u>70,576</u>	<u>64,235</u>	<u>(6,341)</u>
Expenditures and other uses:				
Capital outlay	100,000	100,000	41,156	58,844
Transfers out	20,000	20,000	–	20,000
Reserve	<u>17,259</u>	<u>17,259</u>	<u>–</u>	<u>17,259</u>
Total expenditures	<u>137,259</u>	<u>137,259</u>	<u>41,156</u>	<u>96,103</u>
Revenues over (under)				
expenditures	(66,683)	(66,683)	23,079	89,762
Fund balance,				
beginning of year	<u>66,683</u>	<u>66,683</u>	<u>106,607</u>	<u>39,924</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 129,686</u>	<u>\$ 129,686</u>

CITY OF CLEARWATER, KANSAS

LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 65,372	\$ 65,372	\$ 65,657	\$ 285
Intergovernmental	10,200	13,100	–	(13,100)
Fines and fees	1,500	1,500	–	(1,500)
Use of money and property	<u>200</u>	<u>90</u>	<u>–</u>	<u>(90)</u>
Total revenues	<u>77,272</u>	<u>80,062</u>	<u>65,657</u>	<u>(14,405)</u>
Expenditures:				
Appropriation to Library				
Board	85,263	86,883	65,657	21,226
Transfers out	<u>100</u>	<u>700</u>	<u>–</u>	<u>700</u>
Total expenditures	<u>85,363</u>	<u>87,583</u>	<u>65,657</u>	<u>21,926</u>
Revenues over (under)				
expenditures	(8,091)	(7,521)	–	7,521
Fund balance,				
beginning of year	<u>8,091</u>	<u>10,421</u>	<u>–</u>	<u>(10,421)</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ 2,900</u>	<u>\$ –</u>	<u>\$ (2,900)</u>

CITY OF CLEARWATER, KANSAS

LIBRARY EMPLOYEE BENEFITS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 8,908	\$ 8,499	\$ 8,867	\$ 368
Use of money and property	5	6	4	(2)
Transfers in	<u>—</u>	<u>700</u>	<u>—</u>	<u>(700)</u>
Total revenues	8,913	9,205	8,871	(334)
Expenditures:				
Appropriation to Library Board	<u>8,913</u>	<u>9,010</u>	<u>8,880</u>	<u>130</u>
Revenues over (under) expenditures	—	195	(9)	(204)
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>173</u>	<u>173</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ 195</u>	<u>\$ 164</u>	<u>\$ (31)</u>

CITY OF CLEARWATER, KANSAS

EMERGENCY MEDICAL SERVICES FEE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 25,000	\$ 25,000	\$ 25,787	\$ 787
Use of money and property	<u>80</u>	<u>80</u>	<u>49</u>	<u>(31)</u>
Total revenues	25,080	25,080	25,836	756
Expenditures:				
Debt service	<u>34,000</u>	<u>34,000</u>	<u>23,085</u>	<u>10,915</u>
Revenues over expenditures	(8,920)	(8,920)	2,751	11,671
Fund balance, beginning of year	<u>28,048</u>	<u>28,048</u>	<u>21,506</u>	<u>(6,542)</u>
Fund balance, end of year	<u>\$ 19,128</u>	<u>\$ 19,128</u>	<u>\$ 24,257</u>	<u>\$ 5,129</u>

CITY OF CLEARWATER, KANSAS

SENIOR CENTER FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 18,000	\$ 18,000	\$ 21,015	\$ 3,015
Charges for services	<u>500</u>	<u>500</u>	<u>1,988</u>	<u>1,488</u>
Total revenues	<u>18,500</u>	<u>18,500</u>	<u>23,003</u>	<u>4,503</u>
Expenditures:				
Personal services	7,038	7,038	8,337	(1,299)
Contractual services	6,229	6,229	4,831	1,398
Commodities	1,733	1,733	1,832	(99)
Debt service	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>—</u>
Total expenditures	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>—</u>
Revenues over expenditures	500	500	5,003	4,503
Fund balance, beginning of year	<u>6,643</u>	<u>6,643</u>	<u>1,585</u>	<u>(5,058)</u>
Fund balance, end of year	<u>\$ 7,143</u>	<u>\$ 7,143</u>	<u>\$ 6,588</u>	<u>\$ (555)</u>

CITY OF CLEARWATER, KANSAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 135,827	\$ 135,827	\$ 136,839	\$ 1,012
Special assessments	200,000	202,956	221,041	18,085
Use of money and property	650	650	353	(297)
Miscellaneous	<u>—</u>	<u>—</u>	<u>1,613</u>	<u>1,613</u>
 Total revenues and other sources	 <u>336,477</u>	 <u>339,433</u>	 <u>359,846</u>	 <u>20,413</u>
Expenditures:				
Bond Principal	255,357	255,357	255,357	—
Bond interest and commission	86,928	86,928	86,884	44
Temporary note interest	<u>—</u>	<u>2,956</u>	<u>2,743</u>	<u>213</u>
 Total expenditures	 <u>342,285</u>	 <u>345,241</u>	 <u>344,984</u>	 <u>257</u>
Revenues over (under) expenditures	(5,808)	(5,808)	14,862	20,670
Fund balance, beginning of year	<u>5,808</u>	<u>5,808</u>	<u>25,186</u>	<u>19,378</u>
 Fund balance, end of year	 <u>\$ —</u>	 <u>\$ —</u>	 <u>\$ 40,048</u>	 <u>\$ 40,048</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

Water Utility Fund – to account for the operation of municipal water utility including water supply, treatment and distribution.

Sewer Utility Fund – to account for the operation of sewer utility including the collection and treatment of wastewater.

CITY OF CLEARWATER, KANSAS

WATER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 351,880	\$ 351,880	\$ 345,289	\$ (6,591)
Use of money and property	2,800	2,800	444	(2,356)
Miscellaneous	<u>—</u>	<u>—</u>	<u>1,497</u>	<u>1,497</u>
Total revenues	<u>354,680</u>	<u>354,680</u>	<u>347,230</u>	<u>(7,450)</u>
Expenditures:				
Personnel services	196,793	196,793	184,738	12,055
Contractual services	62,550	62,550	62,356	194
Commodities	35,300	35,300	23,938	11,362
Capital outlay	25,700	25,700	13,328	12,372
Miscellaneous	7,100	7,100	35	7,065
Debt service	11,229	11,229	11,229	—
Transfers out	<u>155,000</u>	<u>155,000</u>	<u>—</u>	<u>155,000</u>
Total expenditures	<u>493,672</u>	<u>493,672</u>	<u>295,624</u>	<u>198,048</u>
Revenues over (under) expenditures	(138,992)	(138,992)	51,606	190,598
Fund balance, beginning of year	<u>163,202</u>	<u>163,202</u>	<u>177,789</u>	<u>14,587</u>
Fund balance, end of year	<u>\$ 24,210</u>	<u>\$ 24,210</u>	<u>\$ 229,395</u>	<u>\$ 205,185</u>

CITY OF CLEARWATER, KANSAS

SEWER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 340,100	\$ 340,100	\$ 350,883	\$ 10,783
Use of money and property	225	225	488	263
Miscellaneous	<u>—</u>	<u>—</u>	<u>686</u>	<u>686</u>
Total revenues	<u>340,325</u>	<u>340,325</u>	<u>352,057</u>	<u>11,732</u>
Expenditures:				
Personnel services	179,384	179,384	150,405	28,979
Contractual services	50,565	50,565	193,010	(142,445)
Commodities	9,500	9,500	6,377	3,123
Capital outlay	23,000	23,000	1,412	21,588
Debt service	106,336	106,336	106,336	—
Transfers out	5,000	5,000	—	5,000
Miscellaneous	<u>90,281</u>	<u>90,281</u>	<u>—</u>	<u>90,281</u>
Total expenditures	<u>464,066</u>	<u>464,066</u>	<u>457,540</u>	<u>6,526</u>
Revenues over (under) expenditures	(123,741)	(123,741)	(105,483)	18,258
Fund balance, beginning of year	<u>152,193</u>	<u>152,193</u>	<u>211,502</u>	<u>59,309</u>
Fund balance, end of year	<u>\$ 28,452</u>	<u>\$ 28,452</u>	<u>\$ 106,019</u>	<u>\$ 77,567</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agent capacity for others and, therefore, are not used to support the government's own programs.

AGENCY FUNDS

Payroll Tax Withholding Fund – to account for the withholding taxes and other employee payroll withholdings due to other agencies.

CITY OF CLEARWATER, KANSAS

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS – PAYROLL TAX WITHHOLDING FUND**

Year ended December 31, 2014

	Balance January 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2014</u>
<u>PAYROLL TAX WITHHOLDING FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	<u>\$ —</u>	<u>\$2,149,712</u>	<u>\$2,149,712</u>	<u>\$ —</u>
<u>LIABILITIES</u>				
Accrued liabilities	<u>\$ —</u>	<u>\$2,149,712</u>	<u>\$2,149,712</u>	<u>\$ —</u>

COMPONENT UNIT

The Clearwater Public Library is reported as a discretely presented component unit within the financial statements of the City of Clearwater (the reporting entity) to emphasize its separate legal status. The Clearwater Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library and Library Employee Benefits special revenue fund of the City. The Library Board also receives funding through state assistance programs, charges for services and donations from the public. The following funds are used to account for the operations of the Clearwater Public Library:

Library Board Fund – to account for moneys held directly by the Library Board and made available as needed to assist in financing the operations of the public library.

Library Levy Fund – to account for the property taxes, grants and other resources received for the operations of the public library.

Library Employee Benefits Fund – to account for the taxes levied for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes and pension contributions for employees of the public library.

Library Capital Improvement Fund – to account for capital equipment and improvement expenditures. Financing is provided through transfers from other funds.

Donations Library Fund – to account for public donations specified for use in providing a public library in the City.

Friends of the Library Fund – to account for resources provided by the Friends of the Library organization who has assisted in fund raising for the public library's operating activities.

CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET – CLEARWATER PUBLIC LIBRARY

December 31, 2014

	<u>Library Board</u>	<u>Library Levy</u>	<u>Library Employee Benefits</u>	<u>Library Capital Improve- ment</u>	<u>Donations Library</u>	<u>Friends of the Library</u>	<u>Total</u>
<u>ASSETS</u>							
Cash and investments	\$ <u>11,334</u>	\$ <u>16,617</u>	\$ <u>—</u>	\$ <u>30,932</u>	\$ <u>3,900</u>	\$ <u>267</u>	\$ <u>63,050</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ <u>—</u>	\$ <u>611</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>611</u>
Fund balances:							
Restricted	<u>—</u>	<u>16,006</u>	<u>—</u>	<u>—</u>	<u>3,900</u>	<u>267</u>	<u>20,173</u>
Committed	<u>—</u>	<u>—</u>	<u>—</u>	<u>30,932</u>	<u>—</u>	<u>—</u>	<u>30,932</u>
Unassigned	<u>11,334</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,334</u>
Total fund balances	<u>11,334</u>	<u>16,006</u>	<u>—</u>	<u>30,932</u>	<u>3,900</u>	<u>267</u>	<u>62,439</u>
Total liabilities and fund balances	\$ <u>11,334</u>	\$ <u>16,617</u>	\$ <u>—</u>	\$ <u>30,932</u>	\$ <u>3,900</u>	\$ <u>267</u>	\$ <u>63,050</u>
Reconciliation to total net position:							
Total fund balances per above							\$ 62,439
Add capital assets							163,192
Less accumulated depreciation on capital assets							<u>(87,646)</u>
Total net position							\$ <u>137,985</u>

CITY OF CLEARWATER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – CLEARWATER PUBLIC LIBRARY

Year ended December 31, 2014

	<u>Library Board</u>	<u>Library Levy</u>	<u>Library Employee Benefits</u>	<u>Library Capital Improve- ment</u>	<u>Donations Library</u>	<u>Friends of the Library</u>	<u>Total</u>
Revenues:							
Appropriation from City of Clearwater	\$ -	\$ 65,657	\$ 8,880	\$ -	\$ -	\$ -	\$ 74,537
Intergovernmental	-	17,278	-	-	-	-	17,278
Charges for services	-	1,851	-	-	-	-	1,851
Use of money and property	27	65	-	75	6	1	174
Miscellaneous	<u>3,300</u>	<u>1,617</u>	<u>-</u>	<u>-</u>	<u>2,631</u>	<u>-</u>	<u>7,548</u>
Total revenues	<u>3,327</u>	<u>86,468</u>	<u>8,880</u>	<u>75</u>	<u>2,637</u>	<u>1</u>	<u>101,388</u>
Expenditures:							
Current:							
Personnel services	-	56,894	8,880	-	-	-	65,774
Contractual services	-	8,903	-	-	-	-	8,903
Commodities	<u>3,300</u>	<u>15,086</u>	<u>-</u>	<u>-</u>	<u>520</u>	<u>222</u>	<u>19,128</u>
Total expenditures	<u>3,300</u>	<u>80,883</u>	<u>8,880</u>	<u>-</u>	<u>520</u>	<u>222</u>	<u>93,805</u>
Revenues over (under) expenditures	27	5,585	-	75	2,117	(221)	7,583
Fund balances, beginning of year	<u>11,307</u>	<u>10,421</u>	<u>-</u>	<u>30,857</u>	<u>1,783</u>	<u>488</u>	<u>54,856</u>
Fund balances, end of year	<u>\$ 11,334</u>	<u>\$ 16,006</u>	<u>\$ -</u>	<u>\$ 30,932</u>	<u>\$ 3,900</u>	<u>\$ 267</u>	<u>\$ 62,439</u>
Reconciliation of change in net position:							
Revenues over expenditures per above							\$ 7,583
Add acquisition of capital assets							-
Less current year depreciation on capital assets							<u>(4,102)</u>
Change in net position							<u>\$ 3,481</u>